

Minutes of Special Meeting  
Illinois Gaming Board  
April 16, 1991  
Via Telephone Conference

A Special Meeting of the Illinois Gaming Board held at 9:00 a.m. on April 16, 1991 via telephone conference call. The meeting was called by Chairman William J. Kunkle, Jr. and notice was duly and timely given to each Board member and to the general public in conformity with Section 2.02 of the Open Meetings Act.

The following Board Members were present via telephone: William J. Kunkle, Jr., Chairman; and Members William Chamblin, Robert Gibson, and Raymond Niepert. Member J. Thomas Johnson was absent due to technical problems.

Also present via telephone from the Board's offices in Des Plaines, Illinois were Morton E. Friedman, Administrator; Joseph Mc Quaid, Deputy Administrator for Enforcement; Marcy Wolf, Deputy Administrator for Audit, Donna More, Chief Legal Counsel, and from the Board's offices in Springfield, Illinois were J. Thomas Hutchison, Deputy Administrator for Finance; James A. Nelson, Assistant for Public Affairs and Secretary of the Board, other staff members and members of the media.

The meeting was called to order by Chairman William J. Kunkle, Jr. at 9:18 a.m. Chairman Kunkle noted for the record that members of the media were present in the Board's Springfield offices pursuant to the Open Meetings Act.

The first order of business was an evaluation of responses to a Request For Proposal issued by the Board for auditing services with respect to the preliminarily suitable applicant, Alton Riverboat Gambling Partnership. The Chairman recognized Administrator Morton Friedman.

Mr. Friedman stated that although not required by Illinois statute, the Gaming Board had issued a Request For Proposal (RFP) for auditing services for the Alton application. He noted that the RFP was for a contract for professional services. The contract for a quarterly review of the gaming enterprise, a quarterly unannounced check of the enterprise, an annual certification and, prior to the enterprise beginning operations, the firm selected would be required to certify to the Gaming Board the adequacy of the casino's internal controls. Staff had established a written methodology on which each RFP would be evaluated. The methodology gave 80% weight to the technical aspects of the bid and 20% to price. The technical aspects were further factored by the size of the firm, the accessibility of the staff, the known quality of the firm, the experience of the staff in the gaming industry, the nature of staffing proposed, work plan time lines, audit methodology, and the firm's ability to identify problems.

Mr. Friedman stated that the Board had received RFPs from thirteen, (13), firms including "Big Six" firms as well as smaller firms. The prices submitted varied from a low of \$20,680.00 to a high bid of \$106, 800.00. He continued that with regard to the technical score and price it appeared that a clear choice had presented itself.

Mr. Friedman provided the names of all thirteen firms who had submitted RFPs:

1. Ernst & Young
2. Coopers & Lybrand
3. Crowe, Chizek & Company
4. Aurther Anderson & Company
5. Peat Marwick
6. Kupferberg, Goldberg & Niemark
7. Alschuler, Melvoin & Glasser
8. Berger, Goldstein & Company
9. Hopewill & Company
10. Checkers, Simon & Rosner
11. Scheffel & Company
12. Carpenter, Mitchell
13. Alison, Knapp & Siekmann

Mr. Friedman stated that proposals were reviewed by Deputy Administrator Thomas Hutchison, who concentrated on price, and by Deputy Administrators Marcy Wolf and Joseph Mc Quaid who concentrated on the technical and quality aspects of the RFP. Mr. Friedman stated that based on the scoring, that he was recommending to the Board that the contract for professional services be awarded to the firm of Ernst & Young. He noted that Ernst and Young had bid a price of \$45,500.00 and was lower than many of the bidding firms with gaming experience. He noted that the personnel that the firm will assign are all experienced in the gaming industry. He further noted that the firm will assign a Senior Auditor from its Nevada office who is a specialist at auditing gaming enterprises.

Mr. Friedman noted for the Board that due to the statutory make up of the membership of the Board that he had taken the liberty to review the bids received and as well as other documentation with Member Johnson, who is a Certified Public Accountant.

The Chairman asked in clarification if this contract was solely for the Alton enterprise and that as future enterprises begin operations that contracts for those enterprises would be decided separately?

Mr. Friedman responded that the Chairman's statement was correct. He added that while the awarding of professional services contracts are not required to be bid by statute, and that the Board in the future could decide that bidding such contracts was not necessary, that he wanted to present the best product and recommendation and had utilized competitive bidding.

The Chairman called for discussion and recognized Member Chamblin.

Mr. Chamblin asked if Ernst & Young were awarded this particular contract would they be precluded from bidding on subsequent contracts?

Mr. Friedman responded that Ernst & Young would not be precluded from future bidding but that the Board had discretion to make a decision to the contrary.

Mr. Friedman stated that unless there were particular items the Board wished to discuss in Executive Session that he had presented all the information and did not see a reason for an Executive Session. He noted that the agenda had included an agenda point for Executive Session for the convenience of the Members if they chose close a portion of the meeting.

Mr. Friedman concluded his presentation stating that the scoring, based upon merit and price, presented the Board with a very clear choice.

Chairman Kunkle asked for the point score for Ernst & Young?

Mr. Friedman responded Ernst & Young's score was 79.77 out of a possible 100 total points possible. He noted that the low score was 14 and the average score was in the mid 50 range. The next most competitive score was 63.76.

Chairman Kunkle recognized Member Niepert.

Mr. Niepert asked what the term of the contract was?

Mr. Friedman responded that the contract was initially for a term of one year with an option to extend the contract for an additional two years.

Mr. Niepert asked if the contract contained an escape clause?

Mr. Friedman responded that while the contract has yet to be written, that there were customary state provisions regarding cancelation. He also noted that the Riverboat Gambling Act mandates the payment of the contract would be borne by the gaming enterprise, and not the State of Illinois, but that the Board was empowered to select the audit firm.

Mr. Niepert, noted that the Administrator had mentioned that there was a sense of urgency to award this contract and asked if the Board had received an operational starting date from Alton Partnership?

Mr. Friedman stated that the Alton enterprise had publicly stated that they planned to begin operations on July 4, 1991. He said that the staff had clearly told the applicant that they needed Board approval for any change in the plans for Boat size, their key persons for licensing, their suppliers and their internal operating procedures. He noted that the internal controls needed to be reviewed by the outside auditor. He noted that the Alton enterprise has been working diligently to get such information submitted and obtaining Board approval might necessitate one or more additional Special Meetings of the Board.

Chairman Kunkle asked if there was any word that would indicate whether Member Johnson would be able to be added to the telephone meeting.

Secretary Nelson responded that every effort was being made to locate Member Johnson, but thus far those efforts had not been successful.

Chairman Kunkle asked if there was further discussion and recognized Member Gibson.

Mr. Gibson asked for verification that the Administrator had spoken with Member Johnson concerning the RFPs on April 15, 1991?

Mr. Friedman responded that Member Johnson had been personally briefed by Deputy Administer Wolf and was provided with all documentation concerning each of the bids. He stated that Mr. Johnson had expressed no concerns with either the methodology used or the results.

Mr. Gibson stated that he wished Mr. Johnson was present to comment. Chairman Kunkle agreed.

Mr. Chamblin suggested that the Board retire to Executive Session and await Mr. Johnson's joining of the meeting.

Mr. Friedman suggested that instead the Board might wish to recess the meeting and establish a follow up conference call.

Chairman Kunkle asked if any member had anything to raise in Executive Session?

Mr. Niepert and Mr. Gibson responded they had no issues to raise in Executive Session. Mr. Chamblin asked whether the Alton enterprise had any input regarding staff's recommendation?

Mr. Friedman responded that they had not and that, in fact, each bidder was specifically forbidden from holding any discussions with the applicant. He stated that it was the staff's intent that the outside audit firm act in total independence from the license holder.

Chairman Kunkle asked whether there was any further information available which would indicate whether Mr. Johnson would be able to be added to the telephone conference?

Mr. Friedman responded that given the time, that he believed that Mr. Johnson was participating in a seminar from which he could not be called away.

Mr. Gibson moved that Board accept the staff's proposal to award the audit contract for the Alton enterprise to the firm of Ernst & Young. Mr. Chamblin seconded the motion.

The Chairman called the roll. Members responded as follows:

Mr. Chamblin	"Aye."
Mr. Gibson,	"Aye."
Mr. Johnson,	NV
Mr. Niepert,	"Aye."
Mr. Chairman,	"Aye."

The motion was approved.

Mr. Friedman thanked the Board for taking time to hold a Special Meeting for this purpose and said that he had nothing further to bring to the Board's attention.

Chairman Kunkle asked if any member had any new business?

There being none, Mr. Niepert moved that the Board stand adjourned. Mr. Chamblin seconded the motion.

The chairman called for the yeas and nays. The motion was approved unanimously and the Gaming Board stood adjourned at 9:42 a.m.

Respectfully submitted,

James A. Nelson, Secretary

